

EQUITY RESEARCH

RACING FORCE SPA

RESULTS REVIEW

Press release

BUY

TP 6.2€

Up/Downside: 48%

Start of the Year In Line

Yesterday, Racing Force released its Q1 2024 revenue, amounting to €20.6m (-0.2% yoy), in line with our estimates counting on revenue of €20.5m and management's recent announcements, with a challenging base effect ahead (+17.3% yoy in Q1 2023). The group confirmed a well-oriented order book (high single-digit) which should fuel sales in Q2 as well as for the rest of the year.

Start of the year in line for RFG, which published 3M revenue of €20.6m, stable compared to last year. For the record, Q1 2023 posted growth of 17.3% yoy, driven by large orders for Racing Spirit products, thus presenting a challenging base effect. The Racing Spirit product orders in particular are penalizing the group's growth in this Q1 since the Other product category showed a decrease of more than 30% to €0.7m. For the core business, growth is present and generally in line with our FY estimates, with sales up 5%. In detail, Driver's Equipment showed 2.6% growth and Car Parts showed growth of 6.9%.

Regarding the regions, the APAC zone was the main contributor to growth (+28% yoy). The EMEA and AMER zones posted growth rates of +0.3% and -10.5% respectively. However, these two zones, and in particular the AMER zone, was impacted by the base effect of orders for Racing Spirit products. Without this effect, the EMEA zone would have recorded growth of 2.9% and the AMER zone a growth of 2.5%.

For now, Q1 confirmed our scenario for 2024 calling for 4.6% growth. For the record, H1 is historically the group's most important half-year, benefiting in Q2 from a well-oriented order book and the announcement of high single-digit growth.

We are reiterating both our Buy rating and TP of €6.2.

Key data

Price (€)	4.2
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	107.9
Next event	FY23 Results - 3/28

Source: FactSet

Ownership (%)

SAYE S.p.A	52.7
GMP Investments Holdings Limited	5.0
Free float	42.3

Source: TPICAP Midcap estimates

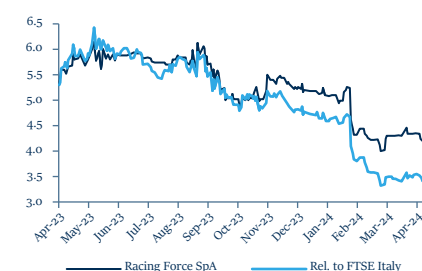
EPS (€)

	12/23e	12/24e	12/25e
Estimates	0.19	0.18	0.26
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)

	1D	1M	YTD
Price Perf	0.0	-2.3	-18.9
Rel FTSE Italy	-0.2	-1.6	-28.2



Source: FactSet

TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	58.8	62.7	65.6	70.5	EV/Sales	1.8	1.7	1.5
Current Op Inc (m €)	8.8	6.3	6.8	9.7	EV/EBITDA	11.9	10.6	7.8
Current op. Margin (%)	15.0	10.0	10.3	13.8	EV/EBIT	18.3	16.7	11.0
EPS (€)	0.32	0.19	0.18	0.26	PE	22.6	23.9	16.2
DPS (€)	0.12	0.09	0.07	0.10	Source: TPICAP Midcap			
Yield (%)	2.8	2.1	1.7	2.5				
FCF (m €)	-1.4	-5.0	4.1	7.7				

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	33.7	46.7	58.8	62.7	65.6	70.5
Changes (%)	31.2	38.4	25.9	6.6	4.6	7.5
Gross profit	20.1	27.2	36.8	38.7	40.7	44.5
% of Sales	59.7	58.3	62.6	61.7	62.0	63.1
EBITDA	5.4	7.9	11.7	9.6	10.6	13.7
% of Sales	15.9	16.9	19.8	15.4	16.2	19.4
Current operating profit	2.8	5.5	8.8	6.3	6.8	9.7
% of Sales	8.4	11.8	15.0	10.0	10.3	13.8
EBIT	2.8	5.5	8.8	6.3	6.8	9.7
Net financial result	-0.7	-0.3	-0.1	-0.5	-0.5	-0.5
Income Tax	-0.7	-1.1	-1.2	-1.0	-1.7	-2.6
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
Net profit, group share	1.4	4.2	7.5	4.8	4.5	6.7
EPS	0.07	0.18	0.32	0.19	0.18	0.26
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	5.7	5.7	6.2	6.2	6.2	6.2
Tangible and intangible assets	8.8	13.1	15.5	19.6	21.7	20.8
Right of Use	4.1	2.4	3.1	3.1	3.1	3.1
Financial assets	1.8	0.4	0.3	0.3	0.3	0.3
Working capital	10.0	12.5	19.8	26.9	25.2	25.1
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
Assets	30.7	34.7	45.6	56.8	57.2	56.2
Shareholders equity group	8.2	29.9	36.5	48.7	50.9	55.7
Minorities	0.3	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.0	1.2	1.3	1.3	1.3	1.3
Net debt	21.2	3.5	7.8	6.8	5.0	-0.9
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
Liabilities	30.7	34.7	45.6	56.8	57.2	56.2
Net debt excl. IFRS 16	17.0	1.0	4.5	3.5	1.7	-4.2
Gearing net	2.5	0.1	0.2	0.1	0.1	-0.0
Leverage	4.0	0.4	0.7	0.7	0.5	-0.1
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	8.1	8.4	10.6
Δ WCR	-1.7	-2.2	-8.0	-7.0	1.6	0.1
Operating cash flow	2.4	4.5	3.2	1.1	10.0	10.7
Net capex	-1.1	-5.3	-4.5	-6.1	-5.9	-3.0
FCF	1.2	-0.8	-1.4	-5.0	4.1	7.7
Free Cash Flow excl IFRS 16	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	5.9	-2.5	-4.4	-4.5	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-2.3	-2.3	-1.8
Repayment of leasing debt	-0.7	-0.3	-0.7	-0.7	0.0	0.0
Equity Transaction	0.5	18.8	0.0	9.7	0.0	0.0
Others	-3.6	-0.4	0.1	-0.2	0.0	0.0
Change in net cash over the year	3.3	13.5	-8.1	-3.0	1.8	5.9
ROA (%)	3.3%	6.4%	10.7%	6.2%	5.6%	7.6%
ROE (%)	17.5%	13.9%	20.7%	9.8%	8.9%	12.0%
ROCE (%)	7.0%	12.8%	16.8%	9.3%	8.8%	12.8%

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2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
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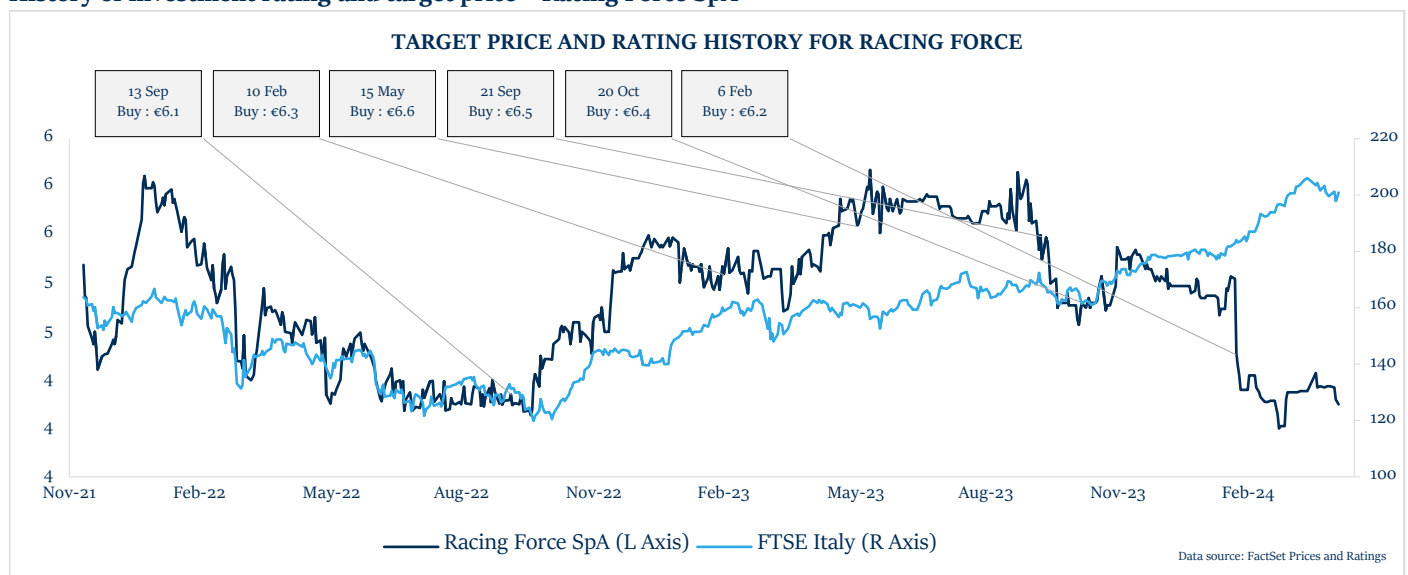
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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Hold	17%	58%
Sell	1%	0%
Under review	1%	100%

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